

LOK SABHA DEBATES

(Fourteenth Session)



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LOK SABHA DEBATES

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OK SABHA

*Wednesday 29 February, 1984/Phalguna 10,
1905 (Saka)*

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER in the Chair]

General Budget 1984-85

MR. SPEAKER : The hon. Finance Minister.

SHRI KRISHNA CHANDRA HALDER (Durgapur) : What is the need of presenting this big Budget ?

(Interruptions)

SHRI SATYASADHAN CHAKRABORTY (Calcutta South) : It has already appeared in the Press.

श्री अटल बिहारी वाजपेयी (नई दिल्ली) : अध्यक्ष महोदय, कल यह मामला उठायेगे। हम थोड़ी जानकारी और प्राप्त कर रहे हैं, कल यह मामला गम्भीरता से उठायेगे।

MR. SPEAKER : Now, the hon. Finance Minister.

SHRI SATYASADHAN CHAKRABORTY : Before he presents the Budget, we seek a clarification. How was the brief case stolen ? What were the papers that were found in the brief case.....

MR. SPEAKER : Please sit down.

SHRI SATYASADHAN CHAKRABORTY : On a point of clarification. It

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has appeared in the papers that the brief case was stolen. He should explain.

MR. SPEAKER : Sometimes it is good to be silent.

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : Sir, I rise to present the Budget for the year 1984-85.

2. The Budget has been formulated against the back-ground of strong recovery in national income and agriculture, and an equally impressive improvement in our balance of payments. These and other developments in the economy have been covered in detail in the Economic Survey, presented to the House a couple of days ago. I shall, therefore, be brief in reviewing the current economic situation.

3. As the House is aware, the country had to go through two years of severe drought and one year of indifferent monsoon during the period 1979-80. to 1982-83. Foodgrains production, which had reached 132 million tonnes in 1978-79 declined to 110 million tonnes in the following year. It recovered to 133 million tonnes in 1981-82 but then declined again to 128 million tonnes in 1982-83 because of another severe drought. The current year has seen a major breakthrough in foodgrains production and we are not only likely to recover lost ground, but also improve substantially on the previous peak. Foodgrains production in 1983-84 is expected to exceed the target of 142 million tonnes. Agricultural production as a whole is likely to increase by 9 per cent over the previous year. Hon'ble Members will agree that this is convincing testimony to the soundness of our agricultural strategy and to the hard work of our farmers.

[Shri Pranab Mukharjee]

4. Industrial performance shows an improvement over the previous year, but the recovery in industrial production still seems weak. Industrial growth in the current year is likely to be about 4.5 per cent, compared with 3.9 per cent in 1982-83. For the four year period after 1979-80, industrial growth will average slightly more than 5 per cent. This is well below the potential of the industrial sector. We must aim at a growth rate of 7 to 8 per cent in industry if we are to maintain high rate of growth of CDP and provide employment for our growing labour force in the years ahead.

5. The national income growth in 1983-84 is likely to be in the range of 6 to 7 per cent. In the four years since the present Government took over, the average growth rate in national income has been about 5.4 per cent which is higher than the rate of growth in the first four years of any previous plan. *Per Capita* income in this period will have risen at an average rate exceeding 3 per cent per year. This achievement is all the more noteworthy when viewed against the background of a highly adverse international economic environment and a severe drought.

6. The years 1981-82 and 1982-83 were characterised by exceptionally low rates of inflation. The annual rate of inflation which had reached a high of 21.4 per cent in 1979-80 was brought down to 16.7 per cent in 1980-81 and further to only 2.4 per cent at the end of 1981-82. The annual rate of inflation at the end of 1982-83 was 6.2 per cent, which is unusually low for a drought year. But, there has been an acceleration in the annual rate of inflation in the current year despite an excellent crop. The initial delay in the arrival of the monsoon and the high liquidity in the economy exerted pressure on prices in the early part of the year. The favourable effects of a good crop led to a decline in cereal prices after harvesting. However this was largely offset by sharp increases in prices of a few commodities such as pulses, certain edible oils, rubber tea and cotton because of both domestic and international factors. As a result, the seasonal dip in prices, which

normally occurs towards the end of September has been weak.

7. As the House is aware, the Government has taken several measures to minimise the impact of the drought and to contain the price rise. Action was taken to increase procurement, availability, and releases of sensitive commodities such as wheat, sugar, and edible oils through the public distribution system. Steps were also taken to mop up excess liquidity with the banking system and to curtail Government expenditure. Exports of cotton and CTC teas were restrained in order to increase domestic availability. Further measures will be taken as required to ensure that there is no repetition of the experience of 1979-80, when prices were allowed to increase by over 21 per cent.

8. Let me now turn to the external payments situation facing the economy. In my budget speech last year, I had informed the House of the improvement that had taken place in our balance of payments in 1982-83. I am happy to say that this improvement has gained strength in 1983-84. The trade gap, which declined from Rs. 5800 crores in 1981-82 to about Rs. 5500 crores in 1982-83 is expected to decline further in the current year. Receipts on invisibles account have remained buoyant and the incentives for non-resident deposits have been highly successful. Our foreign exchange reserves, inclusive of IMF drawings, have increased by Rs. 662 crores in the current financial year upto 10th February.

9. Our strategy for bringing the balance of payments under control, after the sharp deterioration that occurred in 1979-80, has paid rich dividends. In view of the improvement in our payments position, the Government has voluntarily decided not to avail of the balance of 1.1 billion SDR under the Extended Fund Facility of the IMF. While intervening in the debate on the IMF loan in this House in December, 1981, the Prime Minister had this to say, and I quote :

"It does not force us to borrow, nor shall we borrow unless it is in the

national interest. There is absolutely no question of our accepting any programme which is incompatible with our policy, declared and accepted by Parliament. It is inconceivable that anybody should think that we would accept assistance from any external agency which dictates terms which are not in consonance with such policies."

This was true then, and it is true now.

10. Belying the prophecies of doom by many a self-styled Cassandra, the economy has emerged stronger as a result of the adjustment effort mounted by us. None of the dire consequences that we were being warned about has occurred. We have not cut subsidies. We have not cut wages. We have not compromised on Planning. We have not been trapped in a debt crisis. We have not faltered in our commitment to anti-poverty programmes or the Welfare of our people. We entered into this loan arrangement with our eyes open. We have come out of it with our heads high.

[SHRI ATAL BIHARI VAJPAYEE
(New Delhi) : Repetition.]

11. We hope that our decision to forgo the balance of the amount available to us under the IMF loan would, in a small way, help the IMF to provide greater assistance to other developing countries. I must also take this opportunity to express our appreciation for the goodwill and mutual understanding that has marked our relationship with the IMF during the entire period of the EFF arrangement.

12. However, there can be no room for complacency. We must persist with the policies that have brought about this favourable outcome. It is necessary to work even harder to save imports in critical areas and to increase exports. Our exports, net of oil, in the first seven months of 1983-84 increased by 9.9 per cent. This is a reasonable performance considering that world trade has been stagnant for quite some time. We

would need to do even better in the future in order to meet the essential import requirements of a growing economy, and to keep the debt service ratio at a manageable level.

13. The Government has taken several steps in the last four years to mobilise resources for public sector investment and to increase the rate of public savings for financing the Plan. Apart from adjustment of the tax rates, the fiscal instrument has been used to 'provide stronger incentives for savings in the form of financial assets. Interest rates on deposits were also revised upwards with the same objective in view. These policies have been highly successful and the inflow of funds in small savings as well as time deposits has exceeded expectations. An important task of fiscal policy in the years ahead is to strengthen this trend.

14. In considering the strategy for resource mobilisation we have to recognise that while our tax rates are relatively high, the tax base is narrow. The evils of black money and tax evasion also have to be reckoned with. The Government is fully committed to come down heavily on tax evaders. At the same time, we must ensure that, as far as possible, the tax system itself does not become a source of encouragement for evasion. Simplification and rationalisation of the tax system must, therefore, remain important objectives of our fiscal policy.

15. The Central public sector enterprises had shown a net profit of Rs. 618 crores in 1982-83. Although a large number of public sector enterprises have continued to show profits in 1983-84, their overall performance has been below expectations. The erosion of profitability was largely due to losses incurred in a few sectors, such as steel and coal. The Government has taken steps to improve their functioning. We must ensure that capital is used more efficiently so that larger resources are available for future expansion.

16. In order to fulfil our social commitments and protect jobs, Government had to take over a large number of sick units and sustain them through

[Shri Pranab Mukharjee]

injection of fresh resources. While some of them have turned the corner, a large number of them continue to incur losses. The time has come to undertake a careful review of the performance of sick units in the public sector with a view to reducing the drain on our resources. Thus the Government proposes to do. Economic viability must be the principal tests or the survival of an enterprise.

17 The growth of deposits with the banking system in the current year, has substantially exceeded their requirements of funds for credit expansion. This has in the short run, resulted in some excess liquidity with the banking system. In this situation, and in order to mobilise some resources for public investment, it is considered desirable to introduce another financial instrument with broadly the same characteristics as longer term time deposits with banks. Under the scheme, which will be called the "National Deposit Scheme", certificates of deposits with a maturity of four years can be purchased from designated outlets. The investor will have the option to encash these deposits any time after one year. The interest rate will be 10.5 per cent if these deposits are held for four years, and 10.9 and 7 per cent if these are held for three, two and one year respectively. Interest from these deposits will be eligible for tax exemption upto the full limit of Rs. 10,000/- under Section 80L of the Income-tax Act. The target of receipts under this scheme is Rs. 500 crores over a period of time. I should clarify that this is a temporary scheme, and will be discontinued after this target is reached or earlier, if monetary developments so warrant.

18 Pursuant to the recommendations of the High Level Committee on financial institutions set up by the Government last year, it has been decided to make certain changes in the "convertibility clause". In view of the increases in capital costs of projects and the investment limit for the delicensed sector, the threshold for exemption from convertibility clause is being raised from the existing level of Rs. 1 crore to Rs. 5 crores.

19 Further, in the case of non-MRTP companies, convertibility clause will not be stipulated where the holding of equity by all financial institutions in such a company exceeds 26 per cent. In the case of MRTP companies/large houses, however, the existing limit of 40 per cent will continue. In order to encourage investment in "No Industry" districts there will be complete exemption from convertibility clause in respect of units proposed to be located in these districts. The functioning of nominee-directors of institutions on the boards of assisted companies is also being revamped. Detailed guide lines on these and other related aspects are being issued separately.

20. The Industrial Development Bank of India has been providing liberal financing facilities for modernisation of industry. The IDBI's scheme for this purpose was recently extended to all industrial units and assistance under this scheme upto Rs. 4 crores is being provided at a concessional rate of interest of 12.5 per cent. In order to reduce financing costs of modernisation schemes it has been decided that the rate of interest under the IDBI scheme for loans upto Rs. 4 crores will be reduced to 11.5 per cent until further notice. Weak units will be provided assistance upto this amount at an even lower rate of interest of 10 per cent.

21 As the House is aware, the Government has been giving consideration to the desirability of a change in the financial year. As I informed the House last year, I invited the views of the State Governments on this proposal. The response has been generally favourable. In order to examine suggestions received from State Governments as well as trade and industry, and to work out the modalities for effecting a change in the financial year, I propose to set up an expert committee which would include representatives of Central Government, State Governments, Reserve Bank of India, Comptroller and Auditor General and some non-official members. This committee will be requested to submit its report by the end of September 1984.

22. I shall now turn to the Revised Estimates for 1983-84 and the Budget Estimates for 1984-85.

Revised Estimates for 1983-84

23. The House will recall that the Central sector Plan outlay for 1983-84 was fixed at Rs. 13,870 crores. This was to be financed to the extent of Rs. 8,390 crores from the budget and Rs. 5,480 crores through the internal and extra-budgetary resources of the public sector enterprises. Despite erosion in the internal resources of certain public sector enterprises, it has been my endeavour to ensure that the total Plan outlay during the year is not adversely affected. The Central Plan outlay in 1983-84 is now estimated at Rs. 14,059 crores. This has been made possible by an increase in the budgetary support by Rs. 1,007 crores over the Budget Estimates.

24. Budgetary support for the Posts and Telegraphs Plan has been increased by Rs. 203 crores. The Railway Plan outlay has been stepped up by Rs. 100 crores with an additional budgetary support of Rs. 54 crores. In the Transport and Communications sectors, I have provided additional funds for Space projects like INSAT, and extension of television coverage. To maintain the progress of the Visakhapatnam Steel Plant, the budget provision has been augmented by Rs. 250 crores. For Chemicals & Fertilizers, the enhanced allocation of Rs. 133 crores is largely due to the fall in internal resources and change in the pattern of financing. In the Energy sector, coal projects get additional funds of Rs. 30 crores to expedite on-going projects. To improve the capital base of the Industrial Development Bank of India, a special provision of Rs. 130 crores has been made. Rupees 100 crores have been set apart for the new rural landless employment guarantee programme launched during the current year. I have also increased the provision for welfare of scheduled castes/tribes and backward classes and important social sectors like health and family welfare.

25. The Central assistance for States' and Union territories' Plan has

been increased by Rs. 392 crores from Rs. 4,462 crores to Rs. 4,854 crores. This includes advance Plan assistance of Rs. 190 crores to States affected by failure of monsoon particularly in the first half of the current year. Additional Plan assistance of Rs. 82 crores has been provided to the State of Assam, a large part of which is for relief and rehabilitation of the riot victims in that State.

26. Utmost care has been taken to contain the non-Plan expenditure. There were, however, certain unavoidable commitments. Additional provision of Rs. 400 crores has been made for ways and means advances to State Governments and Technical Credits under rupee-trade agreements. The short-term loan to States for agricultural inputs have been stepped up by Rs. 110 crores. There is an increase of Rs. 300 crores in loans to State Governments, as their share of small savings will be higher on account of higher collections. The second half of the current year witnessed floods, cyclones and hailstorm in as many as 15 States. An additional non-Plan grant of Rs. 150 crores has been provided for the relief of distress on account of these calamities.

27. Further, I am providing additional non-Plan assistance amounting to Rs. 500 crores to States. I shall refer to this later while dealing with the State Plan outlay for next year. Out of this loan of Rs. 500 crores, an amount of Rs. 400 crores would help the States to clear part of their deficits of 1982-83.

28. The provision for Defence has been increased from Rs. 5,971 crores to Rs. 6,350 crores in the Revised Estimates. The interim relief and bonus sanctioned to Government employees in the current year is estimated to cost about Rs. 280 crores in respect of all the departments of the Government. Subsidy on imported and domestic fertilizers will go up by Rs. 250 crores to Rs. 1,048 crores as the consumer price of fertiliser was reduced in June 1983. During the current year,

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because of financial difficulties, certain public sector undertakings, particularly Heavy Engineering Corporation, National Textile Corporation and Delhi Transport Corporation, will be requiring larger non-Plan assistance than provided in the Budget Estimates. It has also been decided to extend the subsidy scheme for Calcutta Port and Haldia Channel dredging up to the end of next year.

29. Revised Estimates also include additional provision of Rs. 502 crores for subscription towards our higher quota in the IMF. This, however, will have no net impact on the budget as payments for quota subscriptions are matched by corresponding receipts. Taking these and other variations into account, the non-Plan expenditure in the Revised Estimates is placed at Rs. 24,773 crores against the Budget Estimates of Rs. 21,984 crores.

30. Coming to receipts, the Budget Estimates of receipts from income-tax and customs duties are likely to be achieved. Corporation tax receipts will be higher by Rs. 203 crores due to larger payments by oil companies. Union excise duties are also estimated to be Rs. 85 crores higher mainly due to larger collection of cesses on crude oil and coal. The Centre's tax revenue, after paying the State's share of taxes, is estimated at Rs. 15,700 crores as against the Budget Estimates of Rs. 15,460 crores.

31. Under non-tax revenues the dividend from Railways is likely to be Rs. 127 crores less than the Budget Estimates. This decrease will, however, be more than offset by increases under other heads and total non-tax revenue in the current year is expected to show an improvement of Rs. 130 crores over the Budget Estimates.

32. Under capital receipts, I am happy to inform the House that the net collection under small savings during the current year may amount to Rs. 2,200 crores against the budget Estimates of Rs. 1700 crores. This is a welcome response to the incentives provided for

small savings in the current year's budget. The repayment of Technical Credits is expected to be Rs. 1,150 crores as against Rs. 800 crores assumed in the Budget. The receipt, net of outgo, will be Rs. 350 crores against the Budget Estimates of Rs. 200 crores.

33. The receipts from special deposits of non Government provident funds and the like are estimated to be Rs. 190 crores higher than the Budget Estimates. Taking into account the deposits of surplus funds of oil Sector, additional recoveries of ways and means and short-term advances to the State Governments and other variations, capital receipts in the current year are estimated at Rs. 15,965 crores as against the Budget Estimates of Rs. 12,656 crores.

34. Total receipts are thus estimated to go up from Rs. 33,250 crores to Rs. 36,929 crores. This will leave a budgetary deficit of Rs. 1695 crores for the current year as against the Budget Estimates of Rs. 1586 crores. This excludes the special loan assistance of Rs. 400 crores provided to States for clearing their overdrafts at the end of the previous year 1982-83. I am sure the House will agree that despite unavoidable budgetary pressures, we have been able to keep the deficit within prudent limits.

Budget Estimates for 1984-85

35. Hon'ble Members will recall that when our Government took office in January 1980, an important task before us was to revitalise the planning process and to give a new thrust to the programmes of development. I am happy to say that, in the last four years, we have been able to achieve an unprecedented increase in the tempo of public investment.

36. For 1984-85, the approved Plan outlay of the Centre, States and Union territories together will be Rs. 30,132 crores as compared to Rs. 25,480 crores in 1983-84. The Central Plan outlay for 1984-85 is Rs. 17,351 crores, which represents a step up of 25 per cent over the approved Plan outlay of Rs. 13,870 crores in 1983-84.

37. The Plan outlay for the States and Union territories is placed at Rs. 12,781 crores as compared with the final approved outlay of Rs. 11,678 crores in 1983-84. Central assistance for the Plans of States and Union territories will be Rs. 5050 crores as against Rs. 4462 crores in 1983-84 Budget Estimates, representing an increase of 13.2 per cent over the allocation made for the current year.

38. Within this aggregate, Plans of individual States show a varied picture. Some States have managed their finances well; they have been able to raise additional resources and effectively utilise these to implement adequately sized Plans, providing development and growth to their people. Unfortunately some States, for reasons of their own, have used their resources for various other purpose; they have not invested their resources, including additional resources mobilised, for development and have also resorted to large overdrafts on the RBI.

39. With a view to assisting even such States, various facilities and opportunities were provided from time to time. At the beginning of the Sixth-Plan itself, recovery of outstanding advance assistance amounting to Rs. 1412 crores was postponed. This was done to enable States to start with a clean slate. However, State overdraft again grew, and in June 1982, I decided to clear States' closing deficits of the previous year with a medium terms loan of Rs. 1743 crores. RBI also doubled the ways and mean limits available to the States. Again last year, while presenting the budget, I announced an increased level of Central assistance. All these measures were taken primarily to assist State to readjust their financial affairs and to be able to implement State Plans of adequate size.

40. Unfortunately, despite these measures, some States continued to rely heavily on overdrafts even after March 1982. Their proposed deficits at the end of March 1984 would have harshly affected their Plan sizes if these deficits were adjusted against next year's Plan, as per normal practice. In considering

the ways of overcoming this problem, I have found myself in a predicament. On the one hand, no Finance Minister of the country can remain unconcerned about the size of a State's Plan. On the other hand, if assistance is extended to defaulting States, the well-managed States can legitimately complain that they have not got their just rewards from the Centre for their better performance.

41. In the past few weeks, discussion were again held with the Chief Minister of States whose overdrafts with the RBI were high. Several States Governments have agreed to take the necessary measures to improve their financial position and to reduce their reliance on overdrafts. On my part, I have agreed to take further steps to provide additional assistance to States in order to protect their Plans as far as possible. In doing so, I have been particularly conscious of the need to keep up the momentum of anti-poverty programmes. Central assistance is also being further increased. With this, the aggregate assistance during the Plan period will amount to Rs. 17,790 crores as against Rs. 15,350 crores envisaged in the Plan document. Further, as I mentioned earlier, I have made an additional provision of Rs. 500 crores in the Revised Estimates for 1983-84. This special assistance would enable these States to clear part of their overdrafts with the RBI. States have also been informed that closing deficits, upto the permissible ways and means limits from the RBI, will not be adjusted from next year's Plan resources.

42. For those States who have managed their finances well, I am working out a suitable scheme to provide some additional assistance to them in 1984-85. This is only just and appropriate.

43. Mr. Speaker, Sir, I am sure that the House will agree with me that despite severe resource constraints of its own, the Central Government has done the maximum that it can to solve the States' problems. The rest, however, is upto them.

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44. Altogether, in the Sixth Plan period, the public sector Plan at current prices will be over Rs. 110,000 crores. This compares with Plan expenditure of Rs. 46,700 crores in the preceding five years, which, of course, include three years of "non-Plan" launched by the previous Government. In real terms too, the Sixth Plan will constitute a massive increase over the outlays provided for in any previous Plan. This, Mr. Speaker, is the measure of achievement of this Government in accelerating the pace of development in the current Plan period.

45. In the last four years, the present Government introduced a number of scheme for the benefit of the weaker sections of the society, particularly in the rural areas. These include the integrated Rural Development Programme, the National Rural Employment Programme and the two new programmes announced by the Prime Minister on 15th August, 1983, namely, the Rural Landless Employment Guarantee Programme and the Scheme for providing self-employment opportunities to the educated unemployed. Each of these programmes is designed to create opportunities for employment an income generation for particular target groups, while also creating productive assets.

46. In formulating the next year's Plan we have provided the maximum support to these and other programmes that benefit the rural poor directly. The total allocation for various programmes of the Ministry of Rural Development would be Rs. 932 crores, which is nearly double the amount of Rs. 480 crores provided in 1983-84. For the IRDP an allocation of Rs. 216 crores is being provided, which is to be matched by the States. The number of beneficiaries under the programme in 1984-85 is estimated at over 3 million. For the NREP, the outlay for 1984-85 is Rs. 230 crores, which will again be matched by the States.

47. The allocation for Rural Landless Employment Guarantee Programme, which seeks to provide employment for 100 days in a year to at least one member

of every rural landless family, is being stepped up to Rs. 400 crores in 1984-85 as against a provision of Rs. 100 crores in 1983-84. This, together with the NREP, will provide 550 million man-days of work in rural areas in 1984-85. An allocation of Rs. 25 crores is being made for the programme for providing self-employment opportunities to the educated unemployed. As the House is aware, the budgetary provision under this programme will be used as capital subsidy against loans to be given by banks. I may add that for these two new programmes, depending on the progress of expenditure, more funds will be provided during the course of the year as necessary.

48. In the Plan for 1984-85, Rs. 243 crores have been earmarked for the accelerated rural water supply programme. The States on their part are expected to provide Rs. 364 crores for this purpose under the minimum needs programme. Over 50,000 problem villages are expected to be provided with drinking water facilities during 1984-85.

49. The programme for integrated child development services is an important part of our efforts to help women and children in the backward areas, urban Slums and tribal areas of our country. This programme is already in operation in 820 blocks. By the end of 1984, the scheme will become fully operation in all 1000 indentified blocks. A provision of Rs. 36 crores has been made for this scheme. A total allocation of Rs. 78 crores is being provided for various schemes of the Department of Social Welfare in 1984-85.

50. The provision in the Central Plan for the various programmes benefiting the Scheduled Castes and Scheduled tribes and other backward classes has been increased to Rs. 209 crores in 1984-85 compared to Rs. 176 crores only in 1983-84. Plan outlay for the programmes in education and culture has been substantially stepped up to Rs. 204 crores in 1984-85 as against Rs. 155 crores in 1983-84. Likewise, the Plan outlay for health and family welfare

programmes has also been stepped up by nearly 32 per cent from Rs. 460 crores in 1983-84 to Rs. 605 crores in 1984-85. The family welfare programmes will cover an additional 20 million persons.

51. These and other socio-economic priorities of the Government are reflected in the 20-Point Programme which is being vigorously implemented. The total amount allocated to the Programme in the Central Plan is Rs. 4038 crores, which is an increase of about 47 per cent over the current year's provision. Inclusive of the outlays to be provided by the States and Union territories, the total provision for the 20 Point Programme will be Rs. 11,858 crores, representing nearly 40 per cent of the total annual Plan outlay of the Centre, States and Union territories.

52. An important source of strength for the economy has been the tremendous strides made in the agricultural sector. The next year's Plan will continue the high priority given by the present Government to the development of this sector. Thus, the total outlay for the various programmes of the Ministry of Agriculture will be Rs. 758 crores compared to Rs. 556 crores in the current financial year. The outlay includes Rs. 38 crores for the National Oilseeds Development Project which together with the on-going programmes, visualises an additional production of 9.4 lakh tonnes during 1984-85 itself.

53. To further strengthen the country's infra-structure, higher allocations are being provided for power, coal, railways and ports. The total provision for various power projects adds to Rs. 1764 crores, which represents a 44 per cent increase over 1983-84. The allocation for projects of the Department of Coal is Rs. 1310 crores as against Rs. 1076 crores in 1983-84, and the target for coal production is 152 million tonnes in 1984-85. The provision for the Railway in 1984-85 is Rs. 1650 crores, which is 23 per cent higher than the current year. It is expected that the revenue earning traffic to be carried by the Railways will increase to 245 million tonnes in 1984-85. An allocation of Rs. 201

crores is being made for the development of ports, including Rs. 27 crores for the deepening of the Madras harbour.

54. An outlay of Rs. 3127 crores is being provided for petroleum. This includes a sum of Rs. 2685 crores for the programme of exploration and production, and Rs. 443 crores for the various schemes of refining and marketing. The target for production of crude oil in 1984-85 is about 30 million tonnes. A provision of Rs. 200 crores is also being made for a gas pipeline project for supply of Bassein gas to new fertilizer project to be set up at Bijai-pur, Jagdishpur, Aonla, Babrala, Shahjahanpur and Sawai Madhopur.

55. Higher allocations have been provided for steel non-ferrous metals, paper, cement and several other sectors, which are important for country's industrial development. I would also like to draw the attention of the House to the programmes for the development of science and technology, conservation of natural resources, and improvement of the environment in the Plan for 1984-85. The successful positioning of INSAT-1B in a geocentric orbit in August last, testifies to the excellent work done by our scientists, engineers and technicians. It is also a matter of pride to us that India has joined a select group of countries which have permanent scientific stations in the Antarctica. India has also achieved the distinction of being the only developing country to be given the status of 'pioneer investor' by the Convention on the law of the Sea, giving us the right to exploit the mineral resources of the deep sea beds.

56. Finally, I should mention that the incentive schemes for better performance in selected areas, initiated in 1983-84, will continue in 1984-85 also. As the House is aware, these schemes are designed to improve the functioning of the electricity boards, and provide further impetus to the programmes for small and marginal farmers, rural water supply schemes, environmental improvement in urban slums, construction of field channels in command area development projects, and adult education for

[Shri Pranab Mukharjee]
women and elementary education for girls. A lumpsum provision of Rs. 200 crores is being made for this purpose. Lest the Hon'ble Members take me to be a magician, who can do so much with so little, I hasten to clarify that the incentive scheme is designed to provide additional resources linked to performance for specified schemes. There are, of course, also separate substantial allocations for each of these schemes.

57. I have only briefly touched upon the main priorities and objectives of the Annual Plan for 1984-85. Further details are available in the budget documents.

58. In order to provide the maximum possible outlay for the Plan, I have taken special care to ensure that non-Plan expenditure is kept at the minimum. However, certain increases are necessary and unavoidable. I should also add that the estimates of receipts from and payments to State Governments take into account the recommendations contained in the interim report of the Eighth Finance Commission. I have already kept the House informed of this. The final report of the Commission is now expected by the end of April, 1984.

59. I have provided Rs. 6800 crores for Defence expenditure next year against the Revised Estimates of Rs. 6350 crores. I am sure the House will agree that the requirements for Defence have to be met fully to protect the security of the country. Interest payments next year are estimated at Rs. 5600 crores against Rs. 4850 crores in the current year. The borrowings are largely for financing our developmental efforts, and the increase is due to the success of our policies for mobilising savings. A provision of Rs. 850 crores has been made for food subsidy. The requirement for subsidy on indigenous and imported fertilizers is placed at Rs. 1080 crores. Export promotion and market development have been allocated Rs. 530 crores.

60. A lumpsum provision of Rs. 300 crores has been made in 1984-85 for payment of additional instalment of dearness allowance, pensionary relief,

etc. to Central Government employees. Including these and, *inter alia*, provision which are in the nature of adjustments, total non-Plan expenditure in 1984-85 is estimated at Rs. 26,066 crores against Rs. 24,773 crores in Revised Estimates for 1983-84.

61. Turning to receipts in 1984-85, the gross tax revenues at existing levels of taxation are estimated at Rs. 22,993 crores compared with Rs. 20,946 crores in the Revised Estimates. The States' share of taxes in 1984-85 is estimated at Rs. 5739 crores as against Rs. 5246 crores in the current year, which is an increase of nearly Rs. 500 crores. The net tax revenues of the Centre will thus be Rs. 17,254 crores compared with Rs. 15,700 crores in the current year. The dividend from Railways and Posts and Telegraphs will be higher by Rs. 106 crores than the Revised Estimates for 1983-84. Interest receipts and repayment of loans by public sector undertakings and State Governments will also be higher.

62. Receipts from market loans are placed at Rs. 4100 crores against Rs. 4000 crores in the current year. Small savings collections are estimated at Rs. 2400 crores against Rs. 2200 crores in the current year. External assistance net of repayments is estimated at Rs. 2089 crores compared with Rs. 1902 crores. Next year's Budget also includes a receipt of Rs. 200 crores from the National Deposit Scheme to which I have referred in the earlier part of my speech. Taking into account these and other variations in receipts the total receipts in 1984-85 are estimated at Rs. 40,501 crores. These receipts include the effect of the changes in fare and freight rates of the Railways. The total expenditure is placed at Rs. 42,536 crores. The overall budgetary gap at existing rates of taxation will thus be Rs. 2035 crores.

63. I have taxed the patience of the House enough. Let me now turn to other tax proposals.

64. In framing these proposals, I have tried to take into account the realities of the economic situation to

which I referred at the beginning of my speech. While doing so, I hope I have not been entirely unmindful of a certain forthcoming event which is of importance to all of us in this Parliament.

SHRI SATISH AGARWAL (Jaipur):
Election ?

SHRI PRANAB MUKHERJEE :
Seventh plan.

65. Mr. Speaker, Sir, my first proposal relates to the non-corporate income-tax sector. I propose to revise substantially the entire rate structure relating to personal taxation. The present rate of tax in the first slab of taxable income ranging from Rs. 15,001 to Rs. 20,000 is 25 per cent. The House will recall that this rate was brought down last year from the then prevailing level of 30 per cent. I now propose to reduce this rate further to 20 per cent. Relief has been allowed at all income levels above Rs. 20,000 also. The maximum marginal rate of tax on incomes over Rs. 1 lakh is being reduced from 60 per cent to 55 per cent. The new rates in some illustrative slabs will be as follows: in the income slab of Rs. 25,001 to Rs. 30,000 the new rate will be 30 per cent as against 35 per cent at present; in the income slab of Rs. 50,001 to Rs. 60,000 the new rate will be 45 per cent as against 50 per cent at present; and in the income slab of Rs. 70,001 to Rs. 80,000 the new rate will be 50 per cent as against 55 per cent at present.

66. The above proposal will provide relief at all levels of incomes. Taken with the increase in the standard deduction introduced last year, I expect this measure will provide substantial relief in particular to the fixed income groups. The revised tax schedule will provide a relief in tax of Rs. 281/- to a taxpayer with an income of Rs. 20,000 which is 20 per cent of the tax payable by him earlier. For an income level of Rs. 30,000, the relief will be Rs. 844/- or 16.67 per cent of the tax payable under the old structure, and at income level of Rs. 50,000, this relief will be 10 per cent of the tax payable.

67. The loss of revenue in the proposed rate schedule, assuming no change

in the number of taxpayers and the assessed incomes in different income slabs, is calculated at Rs. 180 crores. However, lowering of the tax rates should normally be expected to lead to an increase in the coverage of taxpayers in different tax slabs and also better tax compliance. Taking these factors into account, I have assumed a net revenue loss of Rs. 59 crores only. This loss is entirely attributable to tax relief provided to the fixed income groups. As far as business and professional incomes are concerned, I have assumed that the reduction in the rates will encourage better compliance and reporting and that this will partly cover the revenue loss.

68. This proposal, Mr. Speaker, Sir, in a way continues the tax rationalisation programme that was started by my party in 1974; carried forward in 1976 and further reinforced after we came back to power in 1980. The present tax structure has also been brought down to a level which I regard as realistic and entirely appropriate. I hope this measure will have a salutary effect on our tax culture and will induce the maximum number of taxpayers to come forward and voluntarily declare their true incomes.

69. At the same time, it is necessary to simplify tax administration and make it more responsive to the needs of the taxpayers. One essential feature would be the effort to complete assessments within the shortest possible time. As the Hon'ble Members are aware, the scope of the summary assessment scheme covers incomes upto Rs. 1 lakh. Only a percentage of cases with incomes in this range is being scrutinised, the selection of such cases being on random sampling basis. The target for 1983-84 is to complete 85 per cent of the summary assessments workload. I have instructed the Income Tax Department to further speed up the assessments.

70. For some years, the Income-tax Act has contained provisions empowering the Central Government to acquire immovable property having a fair market value exceeding Rs. 25,000. This power is exercisable in situations where the declared consideration for transfer of the

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property is less than the fair market value of the property. To eliminate unproductive work in handling a large number of relatively small value cases and also taking into account the rise in market prices I have modified the provision to say that this power will be exercised only in cases where the fair market value exceeds Rs. 50,000. As a further simplification it is being provided that the prescribed statement will have to be filed before the registering officer only in cases where the value of consideration for the transfer exceeds Rs. 25,000 as against Rs. 10,000 at present.

71. With the reduction in rates and expeditious disposal of assessments, I believe there can now be no excuse for any leniency to be shown to those who abuse our laws. Such cases will necessarily have to be dealt with severely. In order to discourage tax avoidance and tax evasion, I am also introducing some further measures. In all cases where the annual turnover exceeds Rs. 20 lakhs or where the gross receipts from a profession exceed Rs. 10 lakhs, I am providing for a compulsory audit of accounts. This is intended to ensure that the books of account and other records are properly maintained and faithfully reflect the true income of the taxpayer. I am also proposing that loans or deposits of Rs. 10,000 or more shall be taken or accepted only by crossed cheque or bank draft.

72. I find that the existing provisions of the income-tax Act provide that no suit to enforce any right relating to any property held benami can be instituted in any court by a person claiming to be the legal owner unless he has declared the income from such property in any return of income or the value of such property in any return of net wealth or furnished a notice in this behalf in the prescribed form to the Income-tax Officer. Such return or notice can at present be given at any time before the suit is filed. With a view to curbing the practice of benami holding of property I am proposing that it will henceforth be obligatory in all cases to give notice to the Commissioner of Income-tax in the prescribed form

within one year of the acquisition of the property. This amendment will enable the Department to initiate appropriate action in respect of such benami acquisition of property well before the limitation for such action expires.

73. Having dealt with the non-corporate sector, I now turn my attention to the corporate sector. The tax rates for this sector are not being changed. I am however providing one facility. Last year, while raising the surcharge payable by companies from 2.5 per cent to 5 per cent, I had given companies the option to make deposits of the additional surcharge with the Industrial Development Bank of India. I am now further providing that companies can henceforth exercise this option in respect of the entire amount of the surcharge payable by them. These resources will flow back to the corporate sector, and will be available for modernisation. In the earlier part of my speech, I have already referred to the decision to reduce the interest rates on loans upto Rs. 4 crores being extended by IDBI under the soft loan scheme.

74. Representations had been received from various quarters that the ceiling on the deductible amount of managerial remuneration as contained in the Income tax Act is low and should be raised. I am glad to inform the House that having regard to the changes in the managerial remuneration introduced by the Department of Company Affairs, I am also raising the ceiling limits for managerial salaries from Rs. 5,000 to Rs. 7,500 per month. The ceiling in respect of perquisites will however remain unchanged.

75. Some relaxations are also being provided to those engaged in the business of growing and manufacturing tea. The existing provisions provide exemption from tax only in respect of subsidy received for replantation or replacement of tea bushes. I am extending this tax exemption to cover subsidy received for other approved schemes relating to rejuvenation and consolidation of areas. I hope this measure will further lend support to our scheme for increasing production of tea.

76. My next proposal, I believe, will be welcomed by a large number of people. Investors presently can receive dividends and interest on debentures without deduction of tax at source, if they furnish an exemption certificate from the Income-tax Officer or alternatively file a declaration to the effect that their income for the year is below the exemption limit. To reduce paper work and avoid inconvenience to small investors, I propose to provide that widely-held companies may, henceforth, pay interest on debentures and dividend income upto Rs.1,000 without deduction of tax at source provided that the payment is made by an account payee cheque or a bank draft.

77. Mr. Speaker, Sir, I notice that certain provisions of tax laws are being misused by a section of the taxpayers. I had occasion last year to deal at some length with taxation of charitable and religious trusts and institutions. I find that some of these trusts and institutions are trying to circumvent the investment pattern for trust funds laid down by the Finance Act, 1983. It is necessary to ensure that all such trusts and institutions strictly conform to the prescribed investment pattern and that such income or property is not used for providing benefit to the settlors trustees etc. I, therefore propose to provide for taxation of the income of defaulting trusts and institutions at the maximum marginal rate of income-tax.

78. While on this subject, I would like to refer to a tendency noticed to create private trusts which carry on business. To curb such practice, I propose to provide that where such trusts have profits and gains of business the entire income of the trust will be charged to tax at the maximum marginal rate, an exception being made only in the cases where the trust is created by will for dependant relatives.

79. Another undesirable practice noticed is the tendency of some corporate bodies to make large contributions to the so-called welfare funds. I further understand that utilisation of these funds is discretionary and subject to no discipline. I am therefore, providing that deductions will be available only in

respect of contributions to such funds as are established under statute or an approved provident fund superannuation fund or gratuity fund. I am making this change with retro-pective effect to avoid unnecessary litigation.

80. Last year, I liberalised the scheme related to export turnover. I propose to continue it and watch its operation for a longer period of time.

81. Last year, I had also referred to a large variety of exemptions and deductions that had been built into our tax system over time. While each deduction by itself may have its own merits, the aggregate effect was to complicate the tax administration and to provide loopholes for tax avoidance or tax evasion, as also for litigation. I had therefore, initiated a process of review and, where necessary, doing away with concessions which had outlived their utility. I intend to carry this process further.

82. Our experience has shown that an expenditure related concession leads to a tendency to inflate expenditure and hence it should have no place in our tax system. Therefore, I propose to withdraw all weighted deductions as are available under the different provisions. The expenditure actually incurred will of course, continue to qualify for deduction. Only the benefit of weightage will no longer be available.

83. I am also withdrawing the exemptions available under sections 33B, 35C, 80CC, 80D and 80E of the Income-tax Act. These deductions, notwithstanding their apparent laudable objectives have either been open to misuse or have benefited only a few. The revenue involved is marginal. I am also reducing the quantum of exemption available under Sections 80M, 80N and 80-O.

84. Now, I intend to announce a few concessions in respect of the Wealth-tax Act. Hon'ble Members, I am sure, will be happy to hear that the monetary ceiling of exemption in respect of one house owned by a taxpayer is being increased from the present level of Rs 1 lakh to Rs. 2 lakhs. This is being done

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to take into account the increase in market value. I am also proposing to raise the exemption limit in respect of specified financial assets from the present level of Rs. 1,65,000 to Rs. 2,65,000. Together with separate exemption of Rs. 35,000 available in respect of units of the Unit Trust of India and proposed to be extended to deposits under the National Deposit Scheme, the aggregate exemption in respect of the value of specified financial assets will rise to Rs. 3 lakhs as against the present ceiling of Rs. 2 lakhs. Hon'ble Members would recall that in the earlier part of my speech, I had referred to the success in mobilising savings in the form of financial assets; I hope that this change will give further impetus to it.

85. The other changes proposed by me in respect of direct taxes are of relatively minor nature and I would not like to take the valuable time of this House by elaborating them.

86. After adjustment of the gain to revenue on account of withdrawal or modification of certain concessions, my proposal in regard to Income-tax will lead to a net loss of Rs. 75 crores, of which the loss to the Centre would be Rs. 36.32 crores and the loss of the States would be Rs. 38.68 crores.

87. Mr. Speaker, Sir, I shall now deal with my proposals in the area of indirect taxes. Here my main objective has been to provide further impetus to the growth of Indian industry through tariff adjustments and substantial relief in excise duties in carefully selected areas. I have also kept in view the need to reduce prices of certain items for consumers and contain the rate of inflation in the economy. I am sure the Hon'ble Members will not grudge if in doing so, I have also taken a little care of Government revenues.

88. My principal proposal relating to customs duties is with regard to auxiliary duty of customs. The levy imposed on an annual basis since the 1973 Budget is proposed to be continued upto the 31st of March, 1985. I also propose to raise with certain exceptions, the present effective rates by 5 percentage points.

I am excluding from the proposed increase essential items like fertilizers, bulk petroleum products such as kerosene and high speed diesel oil, and also newsprint. Fuller details of these proposals are available in the Budget papers. This proposal is expected to yield an additional revenue of Rs. 241.73 crores in a full year.

89. The present customs duty on crude petroleum of Rs. 9.50 per metric tonne (which is being collected by way of auxiliary duty) was fixed in 1973. Without affecting the domestic prices of petroleum products, I propose to raise the duty on crude to Rs. 100 per metric tonne. The revenue gain from this measure will be Rs. 132.76 crores. This duty increase is to be absorbed by the oil companies without their having to raise consumer prices on this account.

90. The current rates of import duties on iron and steel items were fixed a few years back and they are now out of line with the requirements of indigenous industry. I propose to raise the basic customs duty on different items of iron and steel (other than stainless steel) by 5 percentage points or 10 percentage points, depending upon the existing rates of duties. I also propose to levy a total customs duty of 20 per cent *ad valorem* on stainless steel melting scrap which is presently exempt from customs duty. These measures are expected to yield an additional revenue of Rs. 84.20 crores.

91. I also propose to increase the import duty on zip fasteners and parts thereof, magnetic tape and petroleum specialities, namely petroleum jelly, sodium petroleum sulfonate and liquid paraffin. Details of the proposals are available in the Budget papers. The revenue gain in these proposals would be of the order of Rs. 5.32 crores.

92. In order to promote exports in the important sector of gems and jewellery customs duties leviable on a number of gem and jewellery processing and manufacturing machines are proposed to be reduced from the respective existing rates to 40 per cent *ad valorem*. The gem processing machines would enable

significant reduction in processing losses and also improve overall quality and productivity. Similarly, I also propose to reduce customs duties on specified machines used in packaging of food articles as well as by meat and food processing industries from the respective existing rates to 40 per cent *ad valorem*. This measure is expected to encourage export of food items in value-added form and also in consumer packs instead of in bulk. The revenue sacrifice involved in the above proposals is of the order of Rs. 5.24 crores.

93. With the advancement in machine tool technology, CNC machines are progressively replacing conventional machine tools due to their higher productivity and accuracy. To enable the indigenous machine tool manufacturers to offer CNC machine tools on competitive terms, I propose to reduce the customs duty on CNC systems to 35 per cent. The revenue sacrifice is of the order of Rs. 0.82 crore.

94. To enable the paper industry to obtain its raw materials at reasonable prices and to relieve the pressure on our forest resources, I propose to totally exempt from customs duties wood chips for making pulp for the manufacture of paper or paper board. On similar considerations, I propose to reduce the duty on wood pulp imported for manufacture of paper from the existing levels to 30 per cent. These measures involve revenue sacrifice of the order of Rs. 1.10 crores.

95. Certain changes in the provisions of the Customs Act, 1962, relating to warehousing etc. and in the Customs Tariff Act, 1975 are also proposed. The details of these proposals have been given in the Budget papers.

96. Sir, coming now to my proposals in respect of excise duties, my main objectives are to minimise the effects of inflation, lessen scope for tax avoidance and evasion, give a boost to selected industries suffering from demand recession, and ensure better utilisation of the capacity and investment already created.

97. I propose to continue upto 31st March, 1985 the levy of special excise duties at the existing rates and with the existing exemptions.

98. My first proposal for relief is in respect of khandsari sugar. I propose to fully exempt khandsari sugar from the levy of excise duty. I am taking this measure in view of the labour-intensive character of this industry, and to provide further opportunity for growth of employment in this industry. The abolition of excise duty will also help this industry to pay better price to cane growers, and will give relief to a large number of khandsari units located in far-flung rural areas. The revenue sacrifice involved in this proposal is Rs. 16.42 crores. Khandsari, I am told, is also better for health. If as a result of this measure, the health of the nation improves, I hope the credit will flow to me and not to my distinguished colleague, the Health Minister !

[PROF. MADHU DANDAVATE
(Rajapur) : Diabetes will increase !]

99. Hon'ble Members would recall that excise duty was levied on electricity as a revenue measure in the 1978 Budget. The net proceeds from the duty collected on electricity are wholly distributed to the States. It is proposed to abolish the excise duty on electricity leaving it to the State Governments to tap this source, to whatever extent and in whatever manner they like. This will give to the States one more area for resource mobilisation. To give the States some time to take appropriate action, this abolition will be effective from 1st October, 1984.

[PROF. N. G. RANGA (Guntur) :
The States will exploit their consumer.]

100. I also propose to provide substantial relief to the textile industry with a view to making cloth cheaper. Hon'ble Member may recall that in the 1982 and 1983 Budgets, excise duty was reduced to encourage the production of blends with the desirable proportions of polyester. Such fabrics are becoming increasingly popular with the

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people. As a further measure of relief in this area and with the overall objective of making such fabrics available at lower prices, I propose to reduce the total excise duty on polyester-cotton blended yarn containing more than 40 per cent but less than 70 per cent polyester to Rs. 5 per kg. The existing rates of duty on such yarn vary generally from Rs. 7.5 per kg. to Rs. 22.5 per kg. depending on the extend of polyester-cotton mix. Under my proposal all blends over 40 per cent but below 70 per cent of polyester will pay the same reduced rate of duty. For similar blends of polyester and viscose, the excise duty will get reduced to Rs. 10 per kg. from the present rates which generally vary from Rs. 11.25 per kg. to Rs. 22.50 per kg. The revenue sacrifice on these accounts is estimated at Rs. 33.25 crores in a full year.

101. Blended fabrics have also received my attention. The excise duty on polyester-cotton blended fabrics containing more than 40 per cent but less than 70 per cent polyester will be reduced to 2 per cent *ad valorem*. The incidence of duty on such fabrics at present varies from 7.5 per cent to 17.8 per cent *ad valorem*. This concession would cost the exchequer Rs. 26.50 crores in a full year. I also propose that this duty at 2 per cent *ad valorem* be collected as additional excise duty in lieu of sales-tax. As Hon'ble Members are no doubt aware, proceeds of additional excise duties on textiles go to the States.

102. These changes in the duty structure on polyester-cotton blended yarn and polyester-cotton blended fabrics will, for a 67:33 blend, reduce the duty incidence by about Rs. 3.30 per square metre on a fabric carrying a wholesale price of about Rs. 25 per square metre, and a retail price of Rs. 35 to 40 per square metre. This duty reduction will enable the industry to sell such fabrics at reduced prices.

103. I also propose to provide relief on cotton fabrics which still constitute a major share of the total production of cloth in the country. I propose to reduce excise duty on cotton fabrics of less than 51 counts and of assessable

value not exceeding Rs. 5 per square metre. Such fabrics at present pay duty of excise at rates varying from 2.38 per cent to 3.56 per cent *ad valorem* in the case of composite mills. Concessional rates of duty are allowed for independent processors processing powerloom and handloom fabrics. I propose to fully exempt handloom and powerloom fabrics of the above varieties processed by independent processors. The rate of duty for composite mill fabrics is also being reduced to a nominal 1 per cent *ad valorem* retaining more or less the present differential between the independent processor and the composite mills. The duty would be in the nature of additional excise duty in lieu of sales tax and will entirely go to the States. Such fabrics are mostly consumed by the weaker sections of society. The benefits of the reduction should become available to them in the form of lower prices. This proposal on cotton fabrics would entail a revenue sacrifice of Rs. 28.40 crores.

[SHRI HARIKESH BAIADUR
(Gorakhpur) : When is the election ?]

104. I hope, my proposals would also help the textile industry. The industry should benefit through increased demand that lower prices would generate.

105. Cotton yarn and cellulosic spun yarn in the form of cross reel hanks are finding increasing use in the handloom sector. In the handloom Year, I propose to reduce the duty incidence on such yarn supplied to registered Handloom Co-operative Societies or to organisations set up or approved for the development of handlooms, by about 50 per cent. This would involve a loss of Rs. 3 crores to the exchequer in a full year.

106. In order to recoup some of the revenue loss flowing from the above package of measures in respect of the textile industry, I propose to increase the incidence of additional excise duty in lieu of sales tax from 7.5 per cent to 10 per cent on man-made fabrics of assessable value exceeding Rs. 25 per square metre. This increase will not apply to those blended fabrics in respect

of which duty is being reduced. The impact will be on costlier fabrics which are consumed mainly by the more affluent sections of society. They should not mind this. On this account, the exchequer will gain by Rs. 27 crores in a full year and this, too, would accrue entirely to the States.

107. I also propose to reduce the duty on shoddy blankets and other similar blankets made from shoddy yarn if processed by composite mills by about 7 per cent. Such shoddy blankets if processed by independent processors will be wholly exempt. The revenue loss on this account would be Rs. 1 crore in a full year.

108. Another industry needing urgent attention is the paper industry. This industry has been passing through a difficult phase troubled by rising cost of raw materials and other inputs. My proposals aim at encouraging the production of paper and paper board and preserving scarce natural forest resources. I have already referred to the proposed exemption from customs duty on import of wood chips and wood pulp for making. As a further measure of relief, I propose to reduce the basic excise duty on printing and writing paper and also kraft paper produced by large paper mills by Rs. 425 per metric tonne, and corresponding concessions are being given on the duty leviable on such paper when unconventional raw materials are used in their manufacture. Simultaneously, the range of permissible unconventional raw materials is being expanded.

109. No concession for use of unconventional raw material is presently available in the case of paper boards. I propose to reduce the basic excise duty payable on paper boards manufactured from at least 50 per cent unconventional raw materials from the present general level of 10 per cent *ad valorem* + Rs. 1430 per metric tonne to Rs. 560, Rs. 900 or Rs. 1120 per metric tonne depending on whether the clearances of paper and paper board from such paper mills in the preceding financial year did not exceed 3,000 tonnes, 7,500 tonnes or 16,500 tonnes respectively. For larger paper mills using unconventional raw materials,

the rate of basic excise duty on paper boards is being reduced to 7 per cent *ad valorem* + Rs. 925 per metric tonne.

110. My proposals relating to the paper industry would entail a loss of Rs. 33 crores in excise duties in a full year. Along with the customs duty exemptions on import of wood chips and wood pulp, this package is expected to provide substantial fiscal support to the development of indigenous paper Industry and improve the availability of paper at reasonable prices.

111. Hon'ble Members may recall that certain time bound concession were given in October, 1983, in respect of certain specified commodities. Having regard to the industry's response to that measure which was intended to stimulate production by generating incremental demand, I propose to continue the concession for one year with certain modifications.

112. In the case of commercial vehicles, and three-axled vehicles the concession will be continued but the extent of duty concession granted in October, 1983 is being reduced by $2\frac{1}{2}$ percentage points. I propose to remove some models of light commercial vehicles from the purview of the exemption in order to establish parity among all models of such vehicles in the matter of the rate of excise duty. These proposals would entail a revenue loss of Rs. 45 crores in a full year.

113. I propose to continue the concessions in the case of refrigerators, deep freezers and part of refrigerating appliances, etc. storage batteries and domestic electrical appliances. The total revenue sacrifice on these items would be to the tune of Rs. 19 crores.

114. In the case of tyres for buses and trucks and tyres for use off-the-road, I do not propose to continue the concession granted to October 1983 as there is no further case for this concession in view of the price increases announced by this industry. However, as a measure of rationalisation and in

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order to reduce scope for tax, evasion, I propose to switch over by and large to a system of specific rates of duties from the *ad valorem* rates.

115. Production of china and porcelain tableware over the last few years has been showing signs of stagnation and the capacity utilisation has been declining. With a view to providing relief to the industries I propose to reduce the basic excise duty from 30 per cent to 15 per cent on these items. This would entail a revenue loss of Rs. 1.5 crores.

116. With summer not very far away, I would like to help the Hon'ble members in keeping their tempers cool. I propose to reduce basic excise duty on table fans from 10 per cent to 5 per cent and on ceiling fans of a diameter not exceeding 107 cms from 15 per cent to 7.5 per cent. I also propose to reduce the basic excise duty on evaporative type of coolers, including desert coolers, from 40 per cent to 30 per cent *ad valorem*. These proposals would involve a revenue sacrifice of Rs. 5.10 crores. I hope you will have a good summer.

PROF. MADHU DANDAVATE : It may help you in developing cold feet.

MR. SPEAKER : Let him do something for the House.

SHRI SOMNATH CHATTERJEE (Jadavpur) : Election in summer ?

SHRI PRANAB MUKHERJEE : 117. As a rationalisation measure, I propose to reduce the basic duty on winding wires from 10 per cent to 5 per cent and increase the basic duty on copper wire rods by Rs. 1300 per metric tonne. On an overall basis, these changes will neither result in a loss nor gain in revenue.

118. As Hon'ble Members will remember, many reputed artists had published an appeal inviting our atten-

tion to piracy. As I "just can't write these names off" I propose to exempt sound-recorded cassettes wholly from excise duty. In view of the upward revision of customs duty on magnetic tapes, the revenue loss on this account is expected, by and large, to be made up.

119. As a general measure of relief I propose to fully exempt laundry soap manufactured by KVIC units and to reduce basic excise duty from 10 per cent to 5 per cent on certain mass consumption items such as imitation jewellery, stainless steel utensils, glass chimneys for lanterns, high efficient wood burning stoves, umbrellas and saccharine. The revenue sacrifice involved in these concessions is Rs. 1.13 crores.

120. Hon'ble Members may recall that an excise duty relief scheme to encourage higher production is in operation for the past two years. I propose to continue the scheme for one more year.

121. Hon'ble Members would also recall that in the last Budget, I had rationalised the tariff relating to iron and steel items. This year, I have undertaken a similar exercise in respect of non-ferrous metals. The tariff entries are being revised on a more scientific basis. These changes as in last year would be brought into effect from a subsequent date. Till then, the present effective rates of duty would continue.

122. I propose to increase the additional excise duty in respect of cigarettes [MR. SPEAKER: what about pipe tobacco] The present ratio between basic excise duty and additional excise duty is being altered to 1.75:1. This measure will result in the transfer of Rs. 42.89 crores from the basic excise duty account to the additional excise duty account in the next financial year, and thus increase the accrual to the States. There will be a corresponding reduction in the amount allocated to basic excise duty. The total incidence of excise duties on cigarettes will remain unaltered (Interruption) Don't worry.

123. There are some other minor proposals which do not have much revenue significance. These include readjustment of duties in some cases and deletion of some tariff items which have remained fully exempted for a long time.

124. In the light of the experience gained in the working of the Income Tax Appellate Tribunal and the Customs, Excise and Gold (Control) Appellate Tribunal, some amendments are proposed to be carried out in the laws relating to them. These are mainly of an administrative nature. I do not propose to take the time of the House over these proposals.

125. Mr. Speaker, Sir, with the phenomenal increase in central excise revenue from about Rs. 100 crores in 1953-54 to about Rs. 10,100 crores in 1983-84, the Central Excise Tariff has also substantially grown. I think, it is time to make a comprehensive review of the tariff as it has developed over the last three decades with a view to rationalising it. This would require a detailed study which can best be done only by a technical study group. I propose, therefore, to appoint such a Group.

126. The proposals that I have presented will yield additional revenue of Rs. 465.41 crores in customs duties and Rs. 33.10 crores in excise duties. There would be a transfer of Rs. 43.64 crores from the basic duty account to the additional duty (in lieu of sales tax) account. The concessions and reliefs aggregate Rs. 7.26 crores on the customs side and Rs. 222.43 crores on the excise duty. The net yield from customs duties is Rs. 458.15 crores. The net loss from excise duties comes to Rs. 189.33 crores out of which Centre's share would be Rs. 148.95 crores and States' share would be Rs. 40.38 crores. This takes into account the States' share from additional excise duties in lieu of sales tax to the extent of Rs. 52.31 crores. The accrual to the central exchequer for the additional tax effort in a full year would be Rs. 309.20 crores.

127. Copies of notifications giving effect to the changes in customs and excise duties effective from the 1st March 1984 will be laid on the Table of the House in due course.

128. I had earlier stated that the budgetary deficit at the existing rates of taxation would be Rs. 2035 crores. The tax measures proposed now, taken together with reliefs and concessions, are estimated to yield net additional revenue of Rs. 272.88 crores to the Centre. This leaves an uncovered deficit of Rs. 1762 crores. It has been my endeavour to keep the budgetary deficit to a relatively low figure and I am sure the Hon'ble Members would agree that this order of deficit is appropriate to our circumstances. I hope that the low deficit, combined with my proposals for boosting production and lowering prices, will have a salutary effect on the inflationary psychology in the economy.

If I may, at this point, quote from Kautilya's Artha shastra:—

एव कुर्यात्समुदय वृद्धिं चायस्य दर्शयेत् ।

हास व्ययस्य च प्राज्ञः साध्येच्च विपर्ययम् ॥

129. Four years ago, my distinguished predecessor, while presenting the first Budget of the present Government, had expressed our firm resolve to repair the damage and restore the country's economy to the path of stability, growth and social justice. Mr. Speaker, we have kept that promise.

130. I commend this Budget to the House.

— — —

18.29 hrs.

FINANCE BILL, 1984*

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : I beg to move for leave to introduce a Bill to give effect to the financial proposals of the Central Government for the financial year 1984-85.

MR. SPEAKER : The question is :
 "That leave be granted to introduce
 a Bill to give effect to the financial
 proposals of the Central Government
 for the financial year 1984-85."

The Motion Was adopted

MR. SPEAKER : Leave is granted.
 The hon. Minister may now introduce
 the Bill.

SHRI PRANAB MUKHERJEE : I
 introduce the Bill.

MR. SPEAKER : The Finance Bill*,
 1984 has been introduced. The House
 stands adjourned till 11 A.M. on 1st
 March, 1984.

18.30 hrs.

*The Lok Sabha then adjourned till
 Eleven of the Clock on Thursday,
 March 1, 1984/Phalgun 11, 1905
 (Saka)*

* Introduced with the recommendation of the President.

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